



COUNCILMEMBER DONNA FRYE

**City of San Diego
Sixth District**

MEMORANDUM

DATE: May 24, 2007

TO: Mayor Jerry Sanders
City Attorney Michael Aguirre

FROM: Councilmember Donna Frye

SUBJECT: Independent Monitor 120 Day Report

Donna Frye

I learned yesterday morning that the city had granted Stanley Keller, the Independent Monitor, an extension of time to submit his required "120 day" report to the city and SEC (see attached). The fact that this information was never brought forward to the City Council is unacceptable. I would like to know the name of the person in the city who authorized the extension and when they did so. Additionally, I would like a copy of any draft report that may have been provided to the Mayor, CFO or City Attorney in advance of the extension being granted.

CC: Honorable City Council
Independent Budget Analyst, Andrea Tevlin
Chief Financial Officer, Jay Goldstone
Stanley Keller, Independent Monitor

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active and ongoing training programs to educate appropriate City employees, including officials from the City Auditor and Comptroller's office, the City Attorney's office, the Mayor and the City Council members regarding compliance with disclosure obligations;

(2) Make recommendations concerning these policies, procedures, and internal controls with a view to assuring compliance with the City's disclosure obligations under the federal securities laws; and

(3) Assess, in years two and three following the execution of this Agreement, whether the City is complying with its policies, procedures, and internal controls, whether the City has adopted any of the Independent Consultant's recommendations from prior year(s) concerning such policies, procedures, and internal controls for disclosures for offerings, and whether the new policies, procedures, and internal controls were effective in achieving their stated purposes.

(4) The Firm shall also provide such other review, consultation and advice regarding the City's internal policies, procedures and internal controls as the City shall require from time to time, including but not limited to, a review and assessment of the remedial measures recommended by the Audit Committee Report, including but not limited to, oversight on the City's effort to adopt the remediation measures and provide reports as requested on the City's progress; review the City's reports to Council regarding the remediation and, as requested, to make recommendations to the Mayor and Council as to the remediation measures.

The Firm agrees that it is being retained by the City in order to comply with provisions of the SEC's Order and that the Firm may be required from time to time to perform such additional duties as may be required in order to fully implement the terms of the SEC's Order. The Firm agrees to promptly consult with the City and/or the SEC with respect to any questions it may have about the SEC's Order.

Not later than 120 days after the date of this Agreement, and thereafter within 60 days of the anniversary date of this Agreement, the Firm shall provide to the City a report as required by the SEC's Order concerning its review and/or assessment of the City's internal policies, procedures and internal controls regarding financial disclosures as set forth above with respect to the Required Services (as defined below). Within 10 days of submitting a copy of such report to the City, the Firm shall send a copy of said report to the Securities and Exchange Commission's Pacific Regional Office, 567 Wilshire Boulevard, 11th Floor, Los Angeles CA 90036-3648, Attention: Senior Assistant Regional Director. The Firm's report shall describe the review performed and the conclusions reached and shall include any recommendations deemed necessary to make the policies, procedures and internal controls adequate and address the deficiencies identified in Section III.D of the SEC's Order. The Firm acknowledges that it has read and is familiar with the SEC's Order for purposes of providing the Required Services (as herein defined).

The tasks described in subparagraphs (1) through (3) shall be specifically referred to as the Required Services and the tasks described in subparagraph (4) shall be specifically